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MONTHLY PROJECTIONS
May 1988

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SOME SIGNS OF SLOWING BEGIN TO APPEAR

Just as the economy appeared headed for a seriously overheated situation, consumers began to react to higher clothing and automobile prices by deferring purchases. An increase in tax liabilities, especially for those who waited until April to pay their taxes, also restrained the ability of the consumer to maintain a vigorous spending path. These factors combined to cause inflation-adjusted consumption to fall below February levels in April and probably to decline slightly further in May.

Also, the surge in export activity in March was so large that a pause definitely can be expected during the spring. Further gains in exports almost certainly will develop later in the year, unless the dollar continues its current rally, but a pause in the expansion of industrial activity is beginning. This pause is evident in the slowing of price increases for crude materials other than food and energy. Also, vendor delivery delays, which had soared to an index of 71 in December, have now fallen to a more moderate 62 index in April.

To be sure, manufacturing orders remain robust, especially the 1.5% increase in nondurable goods orders in April. Durable goods also experienced solid order growth, although defense communications aided that sector. Strong order gains are anticipated in the next two months as a result of significant aircraft orders. Excluding aircraft, however, orders are expected to flatten.

This reduced growth in industrial activity is coming just as wage pressures are beginning to intensify and as a six-month increase in industrial material prices has begun to spill into consumer prices. Fortunately, oil prices once again have stabilized following a mini-surge leading up to the spring OPEC meetings. Price stability in this important crude material is anticipated through much of the summer before the heating season once again exerts upward pressures upon oil prices.

More significantly, agricultural prices are beginning to raise inflationary concerns. An unusually dry spring has significantly delayed the planting of grains, especially soybeans. With difficulties in the Brazilian growing season earlier this year, the excess supply of beans around the world has been sharply reduced. As dryness has delayed plantings, the possibility that planting will take place too late to insure normal yields has begun to increase. The crisis period has not yet arrived. Therefore, timely rains in the next two weeks can still eliminate the latest grain price inflation fears. Nevertheless, may be scarce and animal feed prices rise sharply. If so, substantial meat supplies will be available through the fall, but higher feed costs almost certainly will lead to premature slaughters and a sharp reduction in meat production by next spring. Thus, increased inflationary concerns in 1989 may materialize.

In the meantime, both the consumer price index and the producer price index for finished goods should show slower rates of increase by the May or June reports. Coupled with slower gains in industrial activity, upward interest rate pressures should be arrested. Indeed, financial markets may perform well in the summer, with the stock market generating an old-fashioned summer rally. Unfortunately, these more-favorable inflationary conditions near-term are not expected to persist. By the fall, inflation once again should become a concern as oil prices rebound. Moreover, if agricultural prices pose a problem, that inflationary risk will materialize by the end of fall. These heightened inflationary pressures almost certainly would lead to a Federal Reserve response that would substantially restrict the growth of bank reserves. Higher short- and long-term interest rates are expected to develop. The economy then would slow its growth further, causing some reduction in credit market pressure by next spring.

NEW SERIES ARE ADDED

At the request of our subscribers, several new data series have been added to the miscellaneous table. All these series have been projected on a quarterly basis by our quarterly forecast, but they have only now been estimated on a monthly basis consistent with that forecast.

The first series is a Federal Reserve trade-weighted index for the dollar. Because our projections suggest that the March improvement in the trade balance was an abberation, the dollar is expected to decline next year. However, recent interest rate increases along with strength in the domestic economy have improved the attractiveness of American financial assets. As a result, a minor dollar rally is expected in the next two months. Then, the dollar is expected to lose about 6% in value against the major currencies over the next year. Our current assessment is that the yen will regain the title as world's strongest currency that was recently wrested from it by the British pound. Indeed, the pound probably is vulnerable to a significant decline as favorable trade balances begin to deteriorate there. Near stability of the dollar is expected to be achieved early in 1989.

The second series is an estimate of adjusted profits. This is operating profits less estimated tax liabilities. Because of increased economic activity and some improvement in profit margins, adjusted profits are expected to rise slightly into the fall. Then, the combination of stronger wage increases and slower economic growth will combine to restrict profit gains. Profits are expected to trend downward early in 1989. Nevertheless, current profits antici-

pations are significantly above forecasted values. This large discrepancy is the result of the upward revision in GNP that developed in the first quarter, after our forecast was completed. These revised GNP estimates create more than proportionate revisions in profit estimates, as profits are partially determined as a residual income component.

The thirty-year government bond already may have seen its first yield peak in late May. A moderate bond market rally is anticipated during the summer. However, increased inflationary pressures late in the year should cause a recurrence of bond price weakness. Then, as the economy slows, and as the Federal Reserve moves toward more aggressive restraint of bank deposits, long-term interest rates are expected once again to decline. About a year from now, government interest rates are expected to be at current levels.

Estimates of adjusted profits, corporate bond yields, and short-term interest rates are used to generate an estimate of sustainable equity values. Actual equity values can deviate significantly from these sustainable estimates, as they did through much of 1987. Thus, our estimate of the New York Composite Index should not be construed as a projection of actual stock market prices. However, the estimates are suggestive. They indicate that economic conditions are favorable for a summer rally in the equity markets at the present time. However, those economic conditions will not remain favorable if our projections are correct. As a result, some decline in equity values is expected early in 1989. Investment risks may be slightly greater in equities than in long-term government bonds at the present time. The weaker-than-forecasted equity values despite stronger-than-forecasted profits and interest rates that are comparable to forecasted values may indicate an unduly pessimistic projection of equity values. Perhaps, some adjustments may be needed in the projections process. However, the general assumption that a summer rally may materialize and then be followed by renewed downward pressures in equity values appears to be valid.

Quarterly Profile of GNP

	1988-1	1988-2	1988-3	1988-4	1989-1	1989-2	1988 Annual	1989 Annual
Real:	3.9	3.3	2.2	2.0	1.1	0.5	3.6	1.4
Price:	1.7	4.1	5.1	4.0	5.0	4.9	3.1	4.7
Nominal:	5.4	7.7	7.3	6.4	6.0	5.4	5.8	6.2

Monthly Statistical Highlights for May 1988

Payroll employment +215,000; index of hours worked +0.2%; household employment +192,000; civilian unemployment rate 5.4%; personal income +0.4%; savings rate 4.4%; personal consumption +0.3%; retail sales -0.3%; auto sales 10.0 million units; housing starts -3.2%; housing permits -0.8%; construction expenditures +0.5%; business inventories +0.5%; orders for durable goods +0.4%; orders for nondefense capital goods +1.7%; industrial production +0.4%; CPI +0.5%; PPI +0.5; consumption deflator +0.5%; leading indicators +0.1%; currency index +1.3%; equity index -1.8%; real GNP(AR) +2.8%; M1(AR) +3.6%; M2(AR) +5.8%.

Monthly Statistical Highlights for June 1988

Payroll employment +236,000; index of hours worked +0.2%; household employment +295,000; civilian unemployment rate 5.3%; personal income +0.5%; savings rate 4.3%; personal consumption +0.4%; retail sales +0.1%; auto sales 9.8 million units; housing starts +0.9%; housing permits +1.5%; construction expenditures -0.0%; business inventories +0.4%; orders for durable goods -1.7%; orders for nondefense capital goods -2.8%; industrial production +0.2%; CPI +0.4%; PPI +0.3%; consumption deflator +0.5%; leading indicators -0.1%; currency index +0.8%; equity index -0.9%; real GNP(AR) +0.3%; M1(AR) +6.2%; M2(AR) +6.2%.

Commentary

Employment - Initial unemployment claims have increased slightly over the past month. This suggests that rapid growth in employment probably has come to an end. Moreover, the insured unemployment rate has remained at 2.1% for six weeks. While some decline in the unemployment rate could materialize, greater stability in the number unemployed is more likely.

Income and Outlays - Personal income grew a negligible amount as a result of the absence of special social security accruals, a decline in farm subsidies, and the absence of profit-sharing bonuses at Ford. Excluding these special factors, personal income would have expanded 0.6%. A continuation of moderate income growth should be expected in the next two months. Tax liabilities jumped even higher than had been anticipated. As a result, disposable income fell even below unusually modest anticipations. This squeeze upon purchasing power may have had a slight restraining effect upon consumer spending. The increase in tax liabilities probably reflected increased tax burdens of those taxpayers who waited to the last minute to file. If such a distortion in the flow of tax liabilities developed, as expected, tax liabilities should decline slightly in the next few months. (Why the increased tax liabilities did not show up in Treasury receipts for April remains an enigma, unless corporate tax collections fell sharply that month.)

This temporary increase in tax liabilities apparently is sharp enough to restrain consumer outlays. Of course, higher prices for female garments and a reduction in the incentives provided to automobile purchasers also are restraining consumption. As a result, real consumer spending appears to be declining slightly during the second quarter. Even the service component is expected to show minimal expenditures growth as stock market trading has significantly slowed. However, a spurt in trading in the latest week might cause a rebound in those expenditures during June. This weakness in consumer spending also is reflected in estimates of retail sales, which are expected to show minimal growth in the next two months. End-of-model-year auto incentives still are anticipated, which will again generate an auto boomlet in late summer followed by sluggishness in the fall.

Construction - Although housing sales have benefitted from fears of rising mortgage rates, those fears already are restraining financing of developers. As a result, single-family starts are expected to slow significantly in the next few months. In April, housing starts rose, but only because of a temporary increase in apartment activity. Apartment vacancy rates remain high while rental rates remain low. Therefore, conditions are not yet in place to stimulate any significant rebound in that sector of the housing market.

Relative weakness in housing activity will be reflected in minimal growth in residential construction expenditures over the next year. Also, public construction spurted in March as a result of stepped-up highway activity. These gains were unsustainable and public construction has since slowed. Later in the year, budget problems faced by many states will constrain construction activity. Indeed, there will be little nominal growth in construction spending over the next year. The construction deflator actually fell in April, but this must be an abberation. Most construction material prices are rising, if only slowly. Next year, construction costs are expected to rise 3%, but this is a downward revision in construction inflation from what had previously been projected.

Business Activity - Thus far, there has been few surprises in overall business activity. The spurt in March shipments was followed by a slowing in April. More moderate shipment growth rates are expected both for defense and nondefense capital goods in the next few months. Aircraft orders should sustain orders for all durable goods in May, but orders may begin weakening in June. Our current estimates are that business activity will show modest growth in shipments during the year while orders will remain flat. The backlog will continue to grow until early 1989, but then declining backlogs should begin to restrain shipments.

Business inventories also are showing more moderate rates of increase than had been anticipated. If manufacturing activity slows its rate of growth, some inventory excesses in manufacturing may begin to appear; but no serious inventory overhang is anticipated there. The consumer slowdown may temporarily create some retail inventory pressures, but any excesses there should be eliminated within a few months. The inventory concern is at the wholesale level, where rapid inventory growth appears to be unsupported by current sales.

Although current estimates of industrial production show a modest increase in May, the employment report for May suggests that some weakening in industrial activity may materialize. If so, a slight dip in capacity utilization will be greeted by favorable response in the financial markets.

Prices - The residual effects from rising oil prices earlier in the year should still impact the CPI and PPI during May. Then, inflationary pressures should slow until rising energy prices once again develop in the fall. In addition, food price inflation may begin to become a factor late this year if the drought proves to be significant. For those reasons, the GNP deflator is now projected to show a slightly greater rate of increase over the next twelve months than had been forecasted. However, these upward adjustments on expected inflation are modest and probably remain below the upward adjustment that investors have placed on their inflationary anticipations.

Miscellaneous - The merchandise trade improvement in March was much greater than anticipated. A 23% increase in exports probably reflects more than a full month's number of export invoices. As a result, some reduction in export activity probably will be recorded in April. On the other hand, slight increases in oil imports along with seasonal increases in automobile imports should cause imports to rise. While the government will be reporting seasonally adjusted trade balances for the first time in more than two years for April, our estimates remain on a seasonally unadjusted basis. We will decide whether to convert to seasonal adjustment patterns next month.

The important sluggishness in the leading indicators developed in delivery delays. A drop in this index to 62 clearly was a signal that the near-term

overheating of the economy was diminishing. As a result, inflationary pressures will not be as substantial as initially thought. This will lead to smaller inventory valuation adjustments than had been forecasted.

Financial Markets

The slowing in economic growth should begin to be reflected in short-term interest rates next month. As a result, the commercial paper rate will begin to fall below the federal funds rate. However, this slowing is expected to persist for only a short period of time. By the end of summer, rising inflationary pressures once again will lead to higher credit market pressures. Further increases in the federal funds rate along with a possible discount rate increase should develop in the fall, possibly after the election. That further rate increase, while significantly increasing short-term interest rates, should begin to slow economic growth further. Thus, long-term interest rates are expected to peak about the end of this year.

Equity Markets - As mentioned above, our New York Composite Index is expected to show a summer rally. While our timing suggests that the rally will come later in the summer, anticipations of improved profitability and a near-term peaking of government bond rates could bring that rally forward. However, our analysis strongly suggests that this will be only a temporary rally followed by further weakness in equity values until the depths of recessionary possibilities for 1989 have been determined.

Although cyclical stocks have performed well, the potential for cyclical downturn in 1989 should place them in disfavor. Current consumer weakness certainly does not bode well for consumer stocks either. Moreover, rising agricultural prices will put cost pressures upon food processing and food distribution industries. However, export-oriented industries and some of the import-impacted industrial materials and capital goods industries will perform favorably despite cyclical weakness. Early in 1989, interest-sensitive issues also should begin to receive favor.

No serious plunge in stock market values is anticipated, but the summer rally probably would be a good time to realign portfolios.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	103827	103827	122.4	122.4	114129	114129	5.8	5.8	176.4	176.4
February	104365	104365	123.7	123.7	114409	114409	5.7	5.7	176.5	176.5
March	104661	104661	123.1	123.1	114103	114103	5.6	5.6	176.8	176.8
April	104835	104835	123.7	124.3	114713	114713	5.4	5.4	177.6	177.6
May	105151	105050*	124.0	124.5*	114635	114905*	5.4	5.4*	177.5	177.8*
June	105467	105286	124.3	124.7	114812	115200	5.4	5.3	177.8	178.3
July	105623	105503	124.6	124.9	115093	115440	5.4	5.2	178.4	178.8
August	105807	105704	125.0	125.1	115405	115587	5.2	5.2	179.1	179.3
September	105991	105863	125.4	125.3	115717	115789	5.2	5.2	179.8	179.9
October	106117	106009	125.4	125.4	115843	115957	5.2	5.2	180.2	180.5
November	106266	106178	125.2	125.6	115926	116165	5.1	5.1	180.6	181.0
December	106415	106341	125.3	125.7	115988	116345	5.2	5.1	180.9	181.4
January 1989	106563	106478	125.6	125.8	116124	116487	5.1	5.2	181.5	182.0
February	106528	106529	125.5	125.8	116325	116535	5.1	5.3	182.2	182.5
March	106757	106653	125.5	126.0	116528	116735	5.1	5.2	182.9	183.0
April	106928	106789	125.7	126.1	116645	116797	5.2	5.3	183.5	183.6
May	107038	106973	125.9	126.2	116767	117029	5.2	5.2	184.0	184.1
June	107149	107108	126.0	126.4	116890	117207	5.3	5.3	184.5	184.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	3.873	3.873	2.293	2.293	153.7	153.7	3.297	3.297	3.143	3.143
February	3.895	3.896	2.307	2.309	154.5	151.1	3.323	3.324	3.168	3.173
March	3.924	3.939	2.319	2.324	157.1	158.5	3.341	3.356	3.190	3.198
April	3.940	3.944	2.334	2.332	139.6	127.3	3.346	3.324	3.206	3.197
May	3.958	3.961*	2.342	2.343*	133.5	146.4*	3.352	3.353*	3.219	3.207*
June	3.976	3.980	2.350	2.355	127.3	146.3	3.359	3.367	3.232	3.221
July	3.993	3.997	2.364	2.366	125.4	136.5	3.379	3.379	3.254	3.243
August	4.009	4.016	2.379	2.378	123.1	122.6	3.398	3.393	3.275	3.270
September	4.025	4.035	2.395	2.391	122.9	123.5	3.418	3.407	3.295	3.284
October	4.043	4.052	2.403	2.403	125.3	132.7	3.429	3.421	3.304	3.288
November	4.061	4.071	2.406	2.416	128.3	126.9	3.442	3.436	3.314	3.309
December	4.079	4.087	2.410	2.425	131.4	120.0	3.455	3.448	3.324	3.328
January 1989	4.098	4.100	2.425	2.437	146.7	138.3	3.497	3.480	3.350	3.342
February	4.120	4.120	2.440	2.445	147.6	149.3	3.514	3.505	3.366	3.356
March	4.142	4.138	2.454	2.457	148.4	149.5	3.529	3.520	3.381	3.371
April	4.159	4.158	2.464	2.469	140.6	150.7	3.541	3.539	3.400	3.388
May	4.175	4.172	2.475	2.477	134.7	140.3	3.553	3.550	3.418	3.410
June	4.192	4.191	2.485	2.491	129.4	137.2	3.564	3.565	3.435	3.428

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	3045.3	3045.3	419.7	419.7	992.0	992.0	1633.6	1633.6	2513.5	2513.5
February	3069.5	3074.1	428.9	428.9	990.0	995.2	1650.6	1650.0	2532.9	2536.7
March	3091.3	3098.8	428.6	431.9	999.8	1009.3	1662.8	1657.7	2538.1	2544.8
April	3104.7	3097.8	425.4	427.6	1006.4	1000.9	1672.9	1669.3	2536.5	2528.2
May	3118.6	3106.8*	426.3	421.7*	1008.6	1007.6*	1683.7	1677.5*	2533.4	2523.8*
June	3132.5	3120.3	427.2	420.5	1010.9	1011.5	1694.4	1688.3	2530.3	2522.1
July	3152.0	3141.6	430.6	423.8	1016.6	1017.6	1704.8	1700.2	2539.9	2528.8
August	3177.2	3169.1	439.4	436.5	1022.3	1022.0	1715.5	1710.6	2558.1	2543.6
September	3192.1	3181.7	440.4	434.6	1025.6	1026.2	1726.1	1720.9	2566.0	2546.9
October	3190.9	3186.0	423.6	423.8	1030.5	1030.9	1736.8	1731.3	2552.7	2539.5
November	3211.6	3206.2	427.3	428.2	1036.6	1035.5	1747.7	1742.5	2552.9	2546.7
December	3231.8	3224.5	431.0	431.4	1042.3	1039.9	1758.5	1753.2	2554.8	2549.7
January 1989	3247.4	3237.6	431.9	429.6	1045.6	1044.2	1769.9	1763.8	2559.0	2549.4
February	3263.0	3251.1	432.7	427.3	1049.3	1048.6	1781.0	1775.2	2565.3	2550.6
March	3277.2	3265.3	432.0	426.3	1053.0	1052.9	1792.2	1786.1	2570.4	2550.9
April	3295.3	3282.5	433.0	428.7	1058.5	1057.3	1803.8	1796 5	2572.4	2554.3
May	3313.1	3303.3	434.1	432.6	1063.1	1062.9	1815.9	1807.8	2572.3	2559.7
June	3329.4	3320.8	433.7	434.2	1067.7	1068.3	1828.0	1818.3	2571.0	2562.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	128.77	128.77	19.75	19.75	10.4	10.4	80.08	80.08	28.94	28.94
February	130.12	130.12	20.19	20.19	11.0	11.0	80.41	80.41	29.52	29.52
March	132.40	132.40	20.54	20.54	10.7	10.7	81.83	81.83	30.04	30.04
April	131.58	131.58	20.53	20.53	10.5	10.5	81.33	81.33	29.72	29.72
May	132.01	131.22*	20.79	20.50*	10.0	10.0*	81.96	81.66*	29.26	29.06*
June	132.59	131.40	21.01	20.58	10.1	9.8	82.24	81.98	29.34	28.84
July	133.64	132.27	21.23	20.65	10.2	10.0	82.89	82.47	29.52	29.15
August	134.91	134.13	21.20	20.61	10.5	10.7	83.35	82.83	30.36	30.69
September	135.53	134.24	20.75	20.64	10.8	10.5	83.62	83.17	31.16	30.43
October	134.04	133.35	20.64	20.56	9.9	9.8	84.02	83.55	29.38	29.24
November	134.88	134.24	20.80	20.69	10.0	10.0	84.52	83.92	29.56	29.63
December	135.78	134.98	21.07	20.85	10.0	10.1	84.98	84.28	29.73	29.85
January 1989	136.16	135.12	20.95	20.73	10.1	10.0	85.25	84.63	29.96	29.76
February	136.56	135.20	20.81	20.68	10.2	9.8	85.56	84.98	30.19	29.54
March	136.78	135.43	20.62	20.69	10.2	9.7	85.86	85.33	30.30	29.41
April	137.05	136.07	20.76	20.76	10.0	9.8	86.31	85.69	29.98	29.62
May	137.64	136.98	20.84	20.80	10.0	10.0	86.68	86.14	30.12	30.04
June	137.38	137.60	20.89	20.85	9.6	10.0	87.06	86.58	29.43	30.17

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	1.382	1.382	1.016	1.016	1.257	1.257	394.5	394.5	345.2	345.2
February	1.519	1.519	1.102	1.102	1.422	1.422	396.0	396.0	345.2	345.2
March	1.554	1.554	1.176	1.176	1.476	1.476	401.8	401.2	349.5	349.0
April	1.561	1.561	1.095	1.095	1.416	1.416	402.7	401.8	349.0	350.8
May	1.568	1.511*	1.128	1.076*	1.426	1.405*	404.1	403.8*	349.3	351.4*
June	1.553	1.525	1.139	1.083	1.407	1.426	406.3	403.7	349.9	350.4
July	1.521	1.491	1.108	1.065	1.386	1.385	408.5	403.3	350.9	349.2
August	1.496	1.502	1.102	1.069	1.372	1.393	410.5	402.2	351.8	347.3
September	1.492	1.511	1.095	1.082	1.389	1.416	412.3	402.4	352.1	346.9
October	1.496	1.518	1.086	1.075	1.406	1.402	411.1	403.3	350.2	346.8
November	1.503	1.502	1.083	1.069	1.389	1.386	409.9	404.7	348.3	347.1
December	1.502	1.493	1.079	1.071	1.401	1.390	408.9	406.1	346.2	347.4
January 1989	1.478	1.479	1.067	1.063	1.375	1.373	410.1	406.6	346.1	346.6
February	1.465	1.474	1.053	1.046	1.364	1.365	411.2	406.4	345.8	345.3
March	1.452	1.483	1.050	1.050	1.348	1.372	412.2	407.1	345.5	345.0
April	1.448	1.515	1.036	1.053	1.326	1.396	411.8	407.7	344.0	344.6
May	1.446	1.499	1.029	1.056	1.329	1.391	411.8	411.0	342.6	346.5
June	1.442	1.494	1.021	1.045	1.322	1.395	412.1	412.7	341.4	347.1

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	127.2	127.2	75.3	75.3	192.0	192.0
February	128.0	128.0	78.1	77.9	189.9	190.1
March	128.1	125.1	82.3	81.8	191.4	194.2
April	128.3	130.6	80.6	79.3	193.8	191.9
May	128.6	129.8*	80.0	79.7*	195.5	194.3*
June	128.8	130.3	80.3	80.0	197.2	193.4
July	128.5	129.7	80.5	80.3	199.5	193.3
August	128.9	129.3	80.9	81.6	200.7	191.3
September	129.2	129.8	81.3	81.3	201.8	191.3
October	129.0	130.1	81.6	81.5	200.5	191.7
November	128.8	130.6	81.9	81.8	199.2	192.3
December	128.9	131.1	82.1	82.2	197.9	192.8
January 1989	129.0	131.4	82.5	82.0	198.6	193.2
February	129.1	131.2	82.9	82.5	199.2	192.7
March	129.2	131.0	83.3	82.9	199.7	193.2
April	129.4	131.2	83.5	83.4	198.9	193.1
May	129.7	131.5	83.8	83.8	198.3	195.7
June	130.0	131.8	84.1	83.6	198.0	197.3

Fore. = May Forecast
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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	336.8	336.8	114.20	114.20	34.79	34.79	30.65	30.65
February	338.4	338.6	114.26	114.32	33.75	33.76	30.71	30.72
March	339.4	339.5	115.31	115.25	32.46	32.48	31.69	31.71
April	340.9	341.0	116.28	116.44	32.90	33.11	30.90	30.93
May	342.8	342.6*	117.43	116.93*	33.55	33.72*	31.26	31.15*
June	345.0	344.0	114.39	114.92	32.16	32.76	31.75	31.28
July	345.9	345.3	114.62	115.26	32.49	32.53	32.39	31.56
August	346.8	346.8	116.21	117.65	33.31	32.95	32.71	31.89
September	347.7	348.1	115.05	117.02	32.75	33.16	33.04	32.36
October	349.8	349.6	114.85	115.08	32.93	33.28	32.83	32.49
November	351.9	351.1	114.37	115.46	32.86	33.56	32.95	32.96
December	354.0	352.6	116.27	115.72	33.14	33.27	32.90	33.12
January 1989	355.8	354.2	116.63	115.29	33.20	33.15	33.14	33.29
February	357.4	355.9	115.08	114.26	32.86	32.65	33.22	33.52
March	359.0	357.2	114.82	115.08	32.53	32.93	32.85	33.68
April	360.8	359.0	115.06	115.03	33.16	32.85	33.14	33.15
May	362.9	360.7	114.43	114.82	31.84	32.73	32.27	33.08
June	365.0	362.8	115.95	113.95	32.14	32.70	32.06	32.85

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	715.0	715.0	8.43	8.43	134.4	134.4	82.5	82.5
February	717.9	717.9	8.50	8.50	134.4	134.4	82.4	82.4
March	720.0	720.0	9.52	9.50	134.7	134.7	82.4	82.4
April	723.5	722.9*	8.58	8.47	135.6	135.6	82.7	82.7
May	726.4	726.8	8.50	8.78*	135.9	136.1*	82.8	82.9*
June	729.4	729.8	8.58	8.93	136.2	136.4	82.8	83.0
July	732.3	732.7	8.46	8.76	136.5	136.6	82.9	83.0
August	734.5	736.1	8.54	8.84	136.8	136.9	82.9	83.0
September	736.7	738.9	8.63	8.92	137.1	137.1	83.0	82.9
October	740.8	742.1	8.60	8.85	137.2	137.2	82.9	82.8
November	745.8	745.3	8.77	9.06	137.0	137.4	82.7	82.8
December	750.6	749.1	8.95	9.01	137.0	137.3	82.6	82.5
January 1989	753.4	752.9	9.00	9.06	136.9	137.5	82.4	82.5
February	756.4	756.5	9.01	9.00	137.0	137.2	82.3	82.2
March	759.3	759.3	9.00	8.96	137.0	137.4	82.2	82.2
April	762.9	763.1	9.13	9.05	135.5	137.2	81.2	81.9
May	766.3	766.7	9.25	9.16	135.0	137.0	80.8	81.6
June	769.7	770.1	9.38	9.27	134.5	137.2	80.3	81.6

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	115.9	115.9	106.1	106.1	104.3	104.3	119.1	119.1
February	116.1	116.1	105.9	105.9	104.4	104.4	119.4	119.3
March	116.7	116.7	106.5	106.5	104.7	104.7	119.6	119.2
April	117.2	117.2	107.0	107.0	105.6	105.6	120.1	119.8
May	117.8	117.8*	107.5	107.5*	105.9	105.9*	120.7	120.4
June	118.3	118.3	107.9	107.8	105.9	106.2	121.2	121.0
July	118.7	118.7	108.2	108.0	106.8	106.8	121.5	121.5
August	119.1	119.0	108.4	108.0	107.5	107.0	121.8	121.9
September	119.5	119.3	108.6	107.9	106.4	105.6	122.1	122.2
October	120.0	119.8	108.9	108.5	107.8	107.4	122.5	122.7
November	120.5	120.2	109.3	108.8	108.0	107.8	122.8	123.1
December	121.0	120.8	109.8	109.5	108.1	109.1	123.2	123.6
January 1989	121.4	121.3	110.2	110.0	108.6	109.8	123.7	124.1
February	121.8	121.8	110.5	110.4	109.1	110.2	124.1	124.6
March	122.2	122.2	110.8	110.7	109.5	110.5	124.5	125.1
April	122.8	122.7	111.4	111.1	110.1	111.1	125.0	125.6
May	123.4	123.3	112.0	111.6	110.8	111.5	125.5	126.1
June	124.0	123.8	112.5	112.2	111.5	112.1	125.9	126.6

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	121.1	121.1	107.4	107.4	113.4	113.4	130.7	130.7	114.3	114.3
February	121.2	121.2	107.4	107.4	113.3	113.2	131.1	131.1	114.7	114.7
March	121.8	121.8	107.5	107.6	114.2	114.3	131.6	131.6	115.0	115.0
April	122.4	122.5	107.9	107.6	115.2	115.4	132.2	132.1	115.4	114.5
May	123.1	123.1*	108.1	107.9*	115.7	116.1*	132.8	132.6*	115.7	114.9*
June	123.8	123.7	108.3	108.2	116.1	116.8	133.4	133.2	116.1	115.2
July	124.1	124.2	108.8	108.5	116.3	117.3	133.9	133.8	116.4	115.5
August	124.2	124.6	109.2	108.9	116.5	117.6	134.4	134.3	116.7	115.8
September	124.4	124.9	109.0	108.9	116.6	117.8	135.0	134.8	117.1	116.0
October	125.0	125.5	109.3	109.3	117.3	118.2	135.5	135.3	117.4	116.3
November	125.8	125.9	109.2	109.2	118.1	118.7	136.0	135.9	117.7	116.6
December	126.5	126.5	109.4	109.4	118.8	119.4	136.6	136.5	118.1	116.9
January 1989	126.9	127.0	109.6	109.6	119.2	119.9	137.2	137.1	118.5	117.3
February	127.2	127.5	109.9	109.9	119.5	120.3	137.7	137.6	118.9	117.7
March	127.5	128.0	110.2	110.2	119.9	120.8	138.3	138.2	119.3	118.0
April	128.1	128.5	110.4	110.4	120.6	121.3	138.9	138.8	119.7	118.3
May	128.8	129.1	110.6	110.6	121.0	121.8	139.5	139.5	120.1	118.6
June	129.5	129.6	110.9	110.9	121.4	122.4	140.1	140.1	120.5	118.9

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	-12.44	-12.44	188.9	188.7	4638	4638	3894	3894	-17.8	-17.8
February	-13.82	-13.82	191.8	191.5	4660	4665	3903	3910	-16.5	-16.4
March	-13.14	-9.75	193.3	191.9	4685	4703	3917	3945	-16.4	-15.1
April	-13.06	-12.00*	194.5	192.2	4710	4725	3922	3944	-19.6	-16.6
May	-12.77	-12.29	194.2	192.4*	4740	4759	3927	3953	-22.3	-16.9
June	-12.49	-12.43	194.5	192.3	4769	4784	3935	3954	-22.6	-15.5
July	-14.23	-12.96	194.8	192.8	4793	4811	3945	3960	-23.4	-12.8
August	-14.02	-11.85	194.5	193.3	4814	4848	3952	3977	-22.8	-10.5
September	-12.82	-11.74	194.1	193.5	4835	4863	3960	3980	-22.1	-9.2
October	-13.34	-12.53	194.6	193.1	4852	4881	3961	3978	-21.4	-11.6
November	-12.95	-12.05	195.3	192.7	4870	4917	3966	3994	-20.1	-17.4
December	-12.56	-11.67	195.6	191.8	4887	4950	3967	4005	-18.8	-20.3
January 1989	-12.65	-11.43	195.4	191.4	4909	4970	3968	4005	-18.5	-17.8
February	-12.32	-11.18	195.3	191.6	4936	4989	3977	4004	-19.0	-17.1
March	-11.97	-11.02	195.7	192.3	4963	5006	3986	4002	-18.4	-16.5
April	-12.17	-11.65	195.0	192.6	4982	5030	3986	4005	-23.9	-18.3
May	-11.98	-11.27	194.6	192.3	5000	5058	3984	4011	-29.6	-19.9
June	-11.79	-11.05	194.2	192.5	5018	5076	3986	4009	-28.7	-21.6

	Trade Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	Fore.	C.E.	Fore.	C.E.	Fore	C.E.	Fore.	C.E.
January 1988	89.18	89.18	168.3	169.9	8.83	8.83	140.55	140.55
February	91.09	91.09	171.5	175.8	8.43	8.43	145.13	145.13
March	89.73	89.73	172.6	181.1	8.63	8.63	149.88	149.88
April	88.95	88.95	169.3	176.7	8.95	8.95	148.46	148.46
May	89.43	90.13	168.0	177.8	9.23	9.23	147.79	145.85*
June	91.02	90.85*	168.8	178.3*	9.16	9.34*	149.76	144.54
July	90.14	90.42	168.3	179.5	9.37	9.22	152.45	147.41
August	89.51	89.76	168.0	181.3	9.49	9.07	155.93	151.35
September	88.25	89.14	168.3	183.4	9.43	9.15	154.40	151.76
October	87.43	88.26	167.8	183.2	9.65	9.28	148.26	149.47
November	86.84	86.93	167.5	181.6	9.86	9.62	147.51	142.93
December	86.13	86.56	167.2	181.2	10.04	10.07	146.78	136.24
January 1989	86.42	85.29	169.4	178.4	10.02	10.15	144.23	133.08
February	85.36	85.04	169.8	178.8	9.82	10.01	146.85	132.86
March	84.28	84.63	167.8	180.3	9.76	9.82	142.78	136.57
April	84.39	84.61	163.4	176.5	9.54	9.56	136.43	137.33
May	85.53	84.93	159.7	173.8	9.47	9.53	139.75	135.65
June	84.48	85.28	156.0	171.4	9.45	9.36	140.58	136.25

Fore. = May Forecast
C.E. = Current Expectations

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	271.3	271.3	758.9	758.9	2924.9	2924.9	6.83	6.83	6.25	6.25
February	272.0	272.0	759.6	759.6	2946.1	2946.1	6.58	6.58	5.96	5.96
March	272.5	272.5	763.1	763.1	2967.7	2967.7	6.58	6.58	5.91	5.91
April	275.2	275.2	770.2	770.2	2992.3	2992.3	6.87	6.87	6.21	6.21
May	278.0	278.0*	771.3	772.5*	3012.6	3006.4*	6.98	7.05*	6.28	6.39*
June	280.8	280.5	772.5	776.4	3032.8	3021.6	7.09	7.32	6.35	6.56
July	282.3	282.1	778.9	780.0	3050.6	3037.6	7.10	7.55	6.39	6.89
August	283.6	283.6	785.0	784.2	3069.7	3059.0	7.05	7.63	6.35	6.95
September	285.0	285.2	791.2	789.4	3088.8	3084.3	7.11	7.65	6.40	6.98
October	286.8	286.9	793.7	794.4	3100.2	3103.8	7.20	7.62	6.56	6.92
November	288.2	288.4	794.3	798.9	3111.8	3121.5	7.43	7.93	6.75	7.14
December	289.6	290.0	795.1	801.9	3123.4	3138.2	7.45	8.02	6.79	7.20
January 1989	291.3	291.4	803.6	804.8	3142.6	3154.5	7.26	8.07	6.53	7.06
February	292.6	292.9	811.6	808.4	3159.7	3168.6	7.15	8.05	6.45	7.01
March	294.0	294.3	819.5	812.3	3176.3	3183.9	7.08	8.13	6.41	7.12
April	295.7	295.8	824.6	816.9	3191.5	3206.9	7.05	8.12	6.25	7.02
May	296.9	297.3	829.2	822.9	3209.7	3220.5	6.94	8.10	6.19	6.94
June	298.1	298.6	833.9	828.0	3227.8	3240.4	6.83	7.78	6.13	6.56

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	9.88	9.88	7.69	7.69	6.87	6.87	6.92	6.92	8.75	8.75
February	9.40	9.40	7.49	7.49	6.58	6.58	6.60	6.60	8.51	8.51
March	9.39	9.39	7.74	7.74	6.62	6.62	6.63	6.63	8.50	8.50
April	9.67	9.67	7.81	7.81	6.86	6.86	6.92	6.92	8.50	8.50
May	9.78	9.78*	7.90	7.90*	7.03	7.08*	7.09	7.15*	8.89	8.89
June	9.89	9.88	7.95	7.94	7.15	7.30	7.22	7.38	9.00	9.00
July	10.05	9.96	8.09	8.02	7.22	7.51	7.29	7.58	9.00	9.00
August	10.08	10.07	8.11	8.11	7.16	7.69	7.23	7.79	9.00	9.00
September	10.12	10.23	8.16	8.28	7.20	7.76	7.28	7.88	9.00	9.26
October	10.20	10.06	8.23	8.15	7.27	7.70	7.35	7.81	9.00	9.50
November	10.26	10.32	8.30	8.35	7.50	7.86	7.62	7.95	9.36	9.50
December	10.32	10.24	8.36	8.19	7.43	8.01	7.51	8.10	9.50	9.78
January 1989	10.20	10.15	8.31	8.08	7.18	8.02	7.26	8.11	9.50	10.00
February	10.05	10.06	8.09	7.99	7.10	8.01	7.17	8.10	9.50	10.00
March	9.88	10.05	7.90	7.99	7.02	8.06	7.11	8.14	9.50	10.00
April	9.93	10.14	7.94	8.10	6.96	8.04	6.99	8.15	9.28	10.00
May	9.86	9.96	7.87	7.92	6.93	8.01	6.98	8.12	9.25	10.00
June	9.79	9.73	7.78	7.71	6.78	7.73	6.87	7.86	9.25	10.00

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.